KENTUCKY ECONOMIC INDICATORS

June 2008 as of August 22, 2008

KY Composite Index of Leading Indicators decreased by 4.1 percent in June.

- The Leading Index has decreased for the third time in six months.
- > Year-over-year the index declined for the seventh consecutive month with 1.5 percent.
- > The component indicators were mixed but mostly negative. Three negative, 1 positive and one unchanged.
 - KY Labor Intensity Index decreased 4.4 percent.
 - KY Index of Initial UI Claims decreased by 12.9 percent.
 - + US Retail Sales increased by 4.2 percent.
 - US Manufacturer's New Orders Index decreased by 1.5 percent.
 - o The Louisville Help Wanted Index remained unchanged at 15.

Component weights for June are 68.5, 13.2, 12.1, 5.0 and 1.2 respectively.

KY Composite Index of Coincident Indicators decreased by 0.3 percent in June.

- > The Coincident Index growth is negative for the fifth consecutive month.
- > Year-over-year growth is positive for the fifty-ninth consecutive month at 0.1 percent.
- > Component indicators leaned negative, 1:2.
 - KY Non-farm Employment decreased 2.1 percent.
 - + US Industrial Production Index increased 4.9 percent.
 - US Personal Income Less Transfers decreased 5.6 percent.

Component weights for June are 37.7, 31.5 and 18.2 respectively. Component weights do not sum to one because the two US components were discounted to give the Kentucky component more weight.

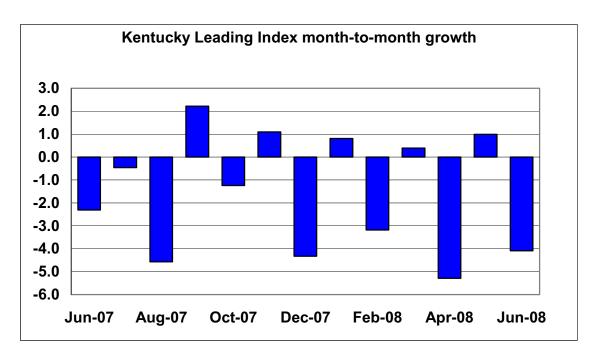
The Kentucky Leading Index decreased by 4.1 percent in June. This series has now changed signs for the last ten consecutive months. The decreasing months have outweighed the increasing months, as can be seen in the bar chart. (See below) The average of the five most recent decreasing months is -3.6 percent, while the average of the five most recent increasing months has been 1.1 percent. The Kentucky Leading Index stands at 111.3 for June, that is down a net 1.7 points (1.5 percent) since June 2007.

The Labor Intensity Index was down strongly in June by 4.4 percent. This is the fifth largest decline in the history of the Labor Intensity Index. Employment in all five manufacturing sectors decreased in June. Employment in Transportation Equipment decreased by the largest amount with a loss of 3,700 seasonally adjusted jobs (6.9 percent) in June. The other four employment sectors lost 500 seasonally adjusted jobs or less. Average weekly hours was essentially unchanged from May for all five sectors. Average weekly hours changed by less than 0.3 percent in absolute value. The Labor Intensity Index series has the lowest variance of the five indicator components, therefore it carries the highest weight in the Kentucky Leading Index. The current weight is 68.5 percent, which is down slightly as the Labor Intensity Index has experienced greater variance in the last nine months.

The Kentucky Index of Initial Unemployment Insurance Claims also decreased sharply in June falling 12.9 percent. Both components rose to cause the inverted Kentucky Index of Initial UI Claims to rise. Kentucky First Payments increased by 16.6 percent, while US Initial Claims rose by 5.8 percent. This is the fourth double digit decline for the index in the last 12 months. The series is currently down 3.6 points (3.4 percent) over last June. Weakness in the UI Claims Index, coupled with a poor showing in the Labor Intensity Index, point to a stagnant labor market in Kentucky. We will continue to monitor whether this weakness manifests itself into poor future growth in the Kentucky reference series.

Kentucky Non-farm Employment lost 3,300 seasonally adjusted jobs (a 2.1 percent decline) in June. It appears that Kentucky Non-farm Employment has reached its business cycle maximum in March of 2008. The standard measure shows that Kentucky Non-farm Employment is above where it was in June 2007 by 0.3 percent. Since we have just crossed a business cycle peak, perhaps a more useful measure is to state that Kentucky Non-farm Employment has now fallen by a net 5,800 seasonally adjusted jobs (-0.3 percent) since its business cycle peak in March. Losses were spread fairly even across employment super-sectors, with Kentucky Manufacturing Employment losing 3,900 seasonally adjusted jobs from May.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000.*



About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- KY Labor Intensity Index: Composed of seasonally adjusted weekly hours multiplied by employment for the following
 manufacturing industries: Lumber products; chemical and allied products; petroleum, coal, rubber and plastic products;
 fabricated metals and transportation equipment.
- **KY Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly. This is an inverted index. That is, when either component goes down, ceterus parabus, then the index value goes up. Likewise if either component goes up, then the index value goes down.
- U.S. Retail Sales: During turning points in the Kentucky economy, U.S. Retail Sales was not strictly concave or convex to the origin. For this reason inflexion points were used to test turning points in the U.S. Retail Sales series. U.S. Manufacturing and Trade Sales performed better than U.S. Retail Sales in testing, but because U.S. Manufacturing and Trade Sales was not published in a timely manner it had to be removed from the Kentucky Leading Index.
- U.S. Manufacturer's New Orders Index: This index has two components: US Manufacturer's New Orders for Nondefense Capital Goods and US Manufacturer's New Orders for Consumer Goods and Materials. Separately these two series slightly missed one or two turning points in the official reference series. But together they preceded each turning point.
- Louisville Help-Wanted Index: The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.

Table Notes:

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, www.osbd.ky.gov

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SELECTED KENTUCKY ECONOMIC INDICATORS SEASONALLY ADJUSTED

			N	2007						20	2008		
	NOC	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	NOC
KY Leading Index (1992=100)	113.0	113.0	112.5	112.7	112.6	112.7	112.3	112.4	112.1	112.1	111.6	111.7	111.3
% Chg Previous Month SAAR	-2.3	-0.5	4.6	2.2	-1.2	1.1	4.3	0.8	-3.2	0.4	-5.3	1.0	4.
% Chg Same Month Last Year	-0.1	0.1	-0.1	-0.1	0.0	0.1	-0.9	-0.4	9.0-	-1.1	-1.2	4.1-	-1.5
KY Leading Index Diffusion Index	63.3	63.3	2.99	0.09	0.09	26.7	29.7	0.09	0.09	26.7	26.7	2.99	29.7
KY Coincident Index (1992=100)	136.0	136.3	136.3	136.5	136.5	136.7	136.8	136.9	136.8	136.7	136.3	136.2	136.2
% Chg Previous Month SAAR	2.2	2.5	0.5	1.9	-0.5	2.2	0.7	9.0	-1.2	-0.7	-3.1	-0.8	-0.3
% Chg Same Month Last Year	1.6	1.8	1.7	1.8	1.6	1.7	1.3	1.4	1.7	6.0	0.5	0.3	0.1
KY Non-farm Employment (000s)	1,871.1	1,869.3	1,868.4	1,870.8	1,874.5	1,877.9	1,880.0	1,881.5	1,880.5	1,881.6	1,878.5	1,879.1	1,875.8
% Chg Previous Month SAAR	1.3	1.	9.0-	1.6	2.4	2.2	4.	1.0	9.0-	0.7	-2.0	0.4	-2.1
% Chg Same Month Last Year	4.1	1.5	-	1.2	1.5	1.5	1.0	1.2	1.2	1.0	0.8	0.5	0.3
KY Private Services Employment (000s)	1,182.9	1,181.6	1,182.1	1,180.8	1,185.7	1,186.9	1,188.6	1,194.9	1,194.1	1,191.6	1,189.9	1,185.5	1,183.5
% Chg Previous Month SAAR	0.4	4.1-	0.5	-1.3	5.1	1.3	1.7	9.9	-0.8	-2.5	-1.7	4.4	-2.1
% Chg Same Month Last Year	1.9	1.9	1.9	1.6	1.7	1.5	1.2	1.6	1.7	0.3	0.0
KY Mfg Employment (000s)	258.3	256.3	252.8	254.8	253.9	253.1	250.7	250.6	250.4	253.3	250.7	251.8	247.9
% Chg Previous Month SAAR	2.4	-8.9	-15.2	6.6	-4.2	-3.7	-10.8	-0.5	-1.0	14.8	-11.6	5.4	-17.1
% Chg Same Month Last Year	-1.4	-1.3	-3.4	-2.3	6.0-	6.0-	-3.3	-3.2	-3.3	-0.8	-2.8	-2.3	4.0
KY Unemployment Rate (%)	5.5	5.5	5.5	5.4	5.4	5.1	5.3	5.2	5.3	5.7	5.6	6.2	6.3
KY Index of Initial UI Claims (1992=100)	103.7	104.1	103.4	103.8	101.4	102.9	101.4	102.9	102.2	101.0	100.8	101.3	100.1
% Chg Previous Month SAAR	-1.6	4.3	-6.9	4.8	-24.9	19.3	-16.4	19.5	-7.4	-13.1	-2.3	9.6	-12.9
% Chg Same Month Last Year	-0.2	9.0	1.0	1.1	-1.7	0.2	-2.1	-0.7	-0.5	-2.7	-2.2	-2.4	-3.4
KY Labor Intensity Index (1992=100)	104.8	104.7	104.6	104.6	104.9	104.9	104.6	104.7	104.6	104.6	104.5	104.5	104.1
% Chg Previous Month SAAR	0.1	-0.8	-1.9	0.7	3.5	0.1	-3.3	0.2	-0.7	0.2	-1.2	0.2	4.4
% Chg Same Month Last Year	-0.1	-0.1	-0.2	-0.2	0.4	0.5	-0.1	0.0	-0.1	0.1	-0.2	-0.3	9.0-
Louisville HWI (1992=100)	28.0	23.0	22.0	23.0	23.0	19.0	20.0	19.0	18.0	20.0	15.0	15.0	15.0
% Chg Previous Month SAAR	-56.3	9.06-	-41.3	70.5	0.0	6.68-	85.1	-46.0	-47.7	254.1	-96.8	0.0	0.0
% Chg Same Month Last Year	-24.3	-32.4	-31.3	-34.3	-36.1	-50.0	-52.4	-45.7	41.9	-53.5	-48.3	-50.0	-46.4
GF Total Tax Receipts (\$ mill)	788.6	9.809	566.5	822.3	639.4	624.7	822.3	724.3	564.7	610.5	922.7	610.3	813.5
% Chg Same Month Last Year	-2.5	5.2	2.4	-1.5	1.5	-1.0	-6.7	6.1	3.8	-6.5	37.3	-22.2	3.2
GF Sales & Use Receipts (\$ mill)	243.0	251.0	241.8	235.5	246.7	236.1	235.2	296.7	205.5	209.6	232.4	238.4	249.0
% Chg Same Month Last Year	5.3	0.7	4.9	5.1	1.7	5.5	-1.5	3.7	6.2	4.	14.8	-12.0	2.5
GF Income Tax Receipts (\$ mill)	289.0	249.2	240.6	332.9	265.6	236.9	295.4	272.7	235.0	193.6	544.3	261.6	355.3
% Chg Same Month Last Year	11.4	0.6	5.8	18.1	6.9	-2.3	9.7	34.9	3.5	-5.1	92.1	-22.6	22.9

SELECTED U.S. ECONOMIC INDICATORS SEASONALLY ADJUSTED

				2007						7	2008		
	NOC	JUL	AUG	SEP	ОСТ	NOV	DEC	JAN	FEB	MAR	APR	MAY	NON
US Leading Index (2004=100)	103.9	104.6	103.6	103.7	103.2	102.8	102.6	102.1	101.9	101.9	102.0	101.9	101.9
% Chg Previous Month SAAR	-1.1	8.4	-10.9	1.2	-5.6	4.6	-2.3	-5.7	-2.3	0.0	1.2	-1.2	0.0
% Chg Same Month Last Year	0.0	6.0	0.3	0.0	-0.7	-1.0	-1.7	-1.8	-1.7	-2.1	-1.8	-2.0	-1.9
	108.8	108.0	107 1	107.2	107.3	107.2	107.2	107.2	108.0	106.9	106.0	106.7	106.7
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US Non-farm Employment (Mil.)	137.6	137.7	137.8	137.8	138.0	138.0	138.1	138.0	137.9	137.8	137.8	137.7	137.7
% Chg Previous Month SAAR	6.0	0.5	9.0	0.7	1.2	0.5	0.4	-0.7	-0.7	-0.8	9.0-	-0.4	-0.4
% Chg Same Month Last Year	1.3	- -	1.0	1.0	1.0	6.0	0.8	0.7	9.0	4.0	0.3	0.1	0.0
US Service-Providing Employment (Mil.)	115.4	115.4	115.6	115.7	115.9	116.0	116.1	116.1	116.1	116.1	116.1	116.1	116.2
% Chg Previous Month SAAR	1.2	6.0	1.5	1.2	1.9	1.2	1.2	-0.1	0.1	-0.1	0.4	0.0	0.3
% Chg Same Month Last Year	1.8	1.6	1.6	1.5	1.6	1.4	4.1	1.3	1.1	1.0	6.0	0.8	0.7
US Manufacturing Employment (000s)	13,890.0	13,884.0	13,844.0	13,822.0	13,797.0	13,794.0	13,772.0	13,737.0	13,690.0	13,644.0	13,592.0	13,571.0	13,536.0
% Chg Previous Month SAAR	-1.7	-0.5	-3.4	-1.9	-2.1	-0.3	-1.9	-3.0	4.0	4.0	4.5	-1.8	-3.1
% Chg Same Month Last Year	-2.2	-2.1	-2.2	-2.2	-2.1	-1.9	-1.9	-2.0	-2.1	-2.2	-2.4	-2.4	-2.5
US Unemployment Rate (%)	4.6	4.7	4.7	4.7	4.8	4.7	5.0	6.4	8.	5.1	5.0	5.5	5.5
US Manufacturer's New Orders Index (1996=100)	130.9	134.5	130.2	129.5	129.7	129.4	130.4	126.8	125.9	125.5	123.9	122.0	121.9
% Chg Previous Month SAAR	6.0	38.0	-32.1	-6.4	2.2	-2.6	9.7	-28.9	4.8-	-3.4	-14.1	-17.0	-1.5
% Chg Same Month Last Year	-2.4	2.0	-0.2	-3.8	-0.8	-1.5	-2.5	1.1	-2.9	4.8	-6.7	-6.7	6.9-
US Initial Claims for UI (000s)	318.5	308.6	325.3	318.4	330.0	340.1	344.6	339.2	346.0	374.8	367.3	369.0	390.5
% Chg Previous Month SAAR	46.6	-31.5	88.2	-22.7	53.6	43.6	17.1	-17.3	26.9	161.0	-21.5	2.7	97.3
% Chg Same Month Last Year	3.2	-2.4	2.7	-0.3	4.4	3.7	7.5	7.7	6.5	20.4	14.3	19.6	22.6
US Industrial Production Index (1992=100)	111.4	112.0	112.0	112.3	111.8	112.3	112.4	112.6	112.3	112.0	111.3	111.1	111.6
% Chg Previous Month SAAR	4.3	7.2	-0.3	3.1	-4.5	5.2	1.0	2.0	-3.3	-2.9	9.9	-2.1	4.9
% Chg Same Month Last Year	1.4	1.7	1.6	2.2	1.9	2.5	2.0	2.5	1.6	4:1	0.4	0.2	0.2
US Personal Income Less Trans. (Bil. 2000 chnd)	8,431.5	8,460.2	8,490.4	8,504.5	8,507.5	8,498.9	8,495.0	8,481.2	8,484.3	8,482.3	8,474.0	8,462.2	8,421.6
% Chg Previous Month SAAR	1.9	4.2	4.4	2.0	0.4	-1.2	-0.5	-1.9	4.0	-0.3	-1.2	-1.7	-5.6
% Chg Same Month Last Year	3.5	3.8	4.1	3.4	2.3	1.8	1.4	1.2	0.8	0.5	9.0	0.5	-0.1
CPI, All Urban (1982-84=100)	207.2	207.7	207.7	208.5	209.1	210.9	211.7	212.5	212.6	213.3	213.7	215.1	217.4
% Chg Previous Month SAAR	3.2	2.7	0.2	4.5	3.2	11.3	4.4	4.8	0.3	4.2	2.5	8.1	13.4
% Chg Same Month Last Year	2.6	2.4	1.9	2.8	3.5	4.4	4.1	4.4	4.1	4.0	3.9	4.1	4.9
US Retail Sales (\$Billions)	372.6	374.8	374.3	376.8	376.8	381.3	377.9	380.0	378.1	380.0	380.8	383.8	385.1
% Chg Previous Month SAAR	-10.9	7.2	-1.3	8.3	-0.1	15.2	-10.1	6.9	-5.9	6.2	2.5	8.6	4.2
% Chg Same Month Last Year	4.0	3.8	3.4	6.4	4.8	5.8	3.4	3.9	2.7	2.3	2.8	2.0	3.4
US Consumer Expectations (1966=100)	74.7	81.5	73.7	74.1	70.1	66.2	65.6	68.1	62.4	60.1	53.3	51.1	49.2
% Chg Previous Month AR	-36.7	184.5	-70.1	6.7	-48.6	-49.7	-10.4	9.99	-65.0	-36.3	-76.3	-39.7	-36.5
% Chg Same Month Last Year	3.8	12.4	8.4	-5.2	-17.3	-20.4	-19.2	-22.3	-23.4	-23.6	-29.8	-34.1	-34.1
Ave. Prime Interest Rate (%, NSA)	8.25	8.25	8.25	8.03	7.74	7.50	7.33	96.9	00.9	99.5	5.24	5.00	5.00